



BRIEFING: AUGUST 12, 2014, BOARD MEETING AGENDA ITEM #4

TO: Chairman Richard and Board Members

FROM: Russell Fong, Chief Financial Officer

DATE: August 12, 2014

RE: Consider Awarding the Contract for Financial Advisory Services

Background

Pursuant to Board Resolution #HSRA14-11, approved on May 6, 2014, The California High Speed Rail Authority (Authority) issued a Request for Proposals (RFP) to procure the services of a Financial Advisor. The estimated dollar value included in the RFP was \$9 million (\$9,000,000.00) for a not-to-exceed budget and included a term of three years, with a two-year option to renew. The responsibility and activities of the financial advisor will be to assist the Authority in carrying out its work of planning, building, and operating a high-speed rail network as outlined in the 2014 Business Plan. Among the key responsibilities of the financial advisor in the coming years will be the identification of innovative financing opportunities, assistance in the structuring of concession and other contracts, assisting the Authority in outreach to and interaction with private sector investors and assisting the Authority to strengthen financial systems and processes.

Due to the progress made on the project and changes in the Authority's financial situation, including the addition of cap and trade funding, it was deemed advisable to procure financial advisor services specifically tailored to the anticipated needs of the Authority for the next three years. Proposers were requested to demonstrate their ability to conduct financial analysis of the Authority's existing funding plans as well as prospective funding sources. Additionally, staff sought expertise in business planning, delivery models, and procurement options necessary to advance toward operations, among other tasks appropriate for the high-speed rail system. We also sought experience in analysis of financial capacity of bidders, financial processes and controls and dispute support.

Discussion

RFP Process

The procurement process for the Financial Advisor Services contract has been managed directly by Authority staff consistent with the State's competitive procurement process as defined by Public Contract Code section 10344 et seq. and the Board's policies for RFPs. The Authority

received four proposals by the RFP deadline of June 24, 2014 as follows (1) KPMG LLP, (2) Ernst & Young Infrastructure Advisors LLP, (3) Crowe Horwath LLP, and (4) Financial Management Consulting. The Office of Procurement and Contracts (OPAC) staff reviewed the proposals for compliance with the RFP's mandatory format and minimum requirements. Per the RFP and in accordance with 2 CCR § 1896.72(a), Financial Management Consulting was deemed unresponsive for not meeting the required DVBE participation goal. The Evaluation Committee met, evaluated, and scored the eligible proposals based on the criteria listed on pages 11-14 of the RFP, listed below.

TECHNICAL EVALUATION CRITERIA	WEIGHT FACTORS	MAX POINTS (0-10)
1. Approach to Tasks in Scope of Work		
<ul style="list-style-type: none"> • Completeness and thoroughness of proposal (addresses all of the tasks defined). • Recommended approach to meet contract objectives. • Proposal demonstrates the ability to complete all aspects of the contract. • Proposal demonstrates experience in administering contract costs, maintaining schedules, and quality control of deliverables. • Proposal demonstrates clear understanding of Project and deliverables to meet contract goals. 	10	100
2. Consultant / Team Experience and Qualifications		
<ul style="list-style-type: none"> • Proposal demonstrates efficient contract management and administrative methods. • Proposal provides an appropriate and effective contract management team with experience in financial planning. • Demonstrates effective and appropriate contract management. • Proposal demonstrates clear roles and responsibilities among team. • Proposal team education and experience are relevant to the requirements of the Scope of Work. • Team has prior experience working together. • Proposal management team demonstrates commitment and availability. • Proposal team experience in working with state agencies. • References exhibit past satisfactory performance. 	10	100

<ul style="list-style-type: none"> • Proposal demonstrates a thorough knowledge of the Project in its current state of development. • Proposal demonstrates understanding of necessary steps required to develop a robust financial strategy. • Proposed strategy presents a clear and logical framework. • Proposal illustrates knowledge and understanding of federal, state, regional, local and general public issues relative to Project. • Scope of Work is specific and consistent with State objectives. • Proposal shows clear understanding of contract Terms and Conditions. 	25	250
<ul style="list-style-type: none"> • Ability to deliver relevant, meaningful work products, financial analysis is easily understood. 	5	50
Minimum Points for Technical		425
Maximum Points for Technical		500

COST CRITERIA	WEIGHT FACTOR	MAX POINTS (0-10)
5. Cost		
<ul style="list-style-type: none"> • Hourly rates and total hours are reasonable and appropriate to complete each task. • Fully loaded fees are appropriate and reflective of industry standards. • Budget is consistent with Scope of Work. • Demonstrates policies to reduce costs (including travel) to the State. • Budget allocations are appropriately and adequately justified. 	30	300
Total Cost Score		300
Total Technical Points		500
Maximum Points		800

Each of the three eligible proposals met the minimum score of 680 points (85% of the possible total points for the Technical and Cost Proposals) required to advance to the third stage. This process consisted of a presentation from each offeror team, followed by questions and answers.

Interviews were held with the three eligible proposers on July 9, 2014 and the proposers were scored in accordance with the criteria listed on page 15 of the RFP, listed below.

PRESENTATION EVALUATION CRITERIA	WEIGHT FACTORS	MAX POINT S (0-10)
<ul style="list-style-type: none"> • Demonstrated knowledge of financing megaprojects. • Demonstrated clear understanding of public and private financing mechanisms. • Demonstrated understanding of the critical project success factors (identification of viable and feasible financing options, accurate and timely financial projections). • Demonstrated evidence of prior project experience with challenges of this magnitude and complexity. • Bidder's ability to integrate their ideas into the Authority's Goals and Objectives. • Response to Evaluation Committee's questions pertaining to the presentation. • Professionalism of presentation. 	20	200

The proposers were then ranked based on the combination of all three scores (Technical, Cost and Presentation) and on July 17, 2014, a Notice of Intent to Award was posted at the Authority's office, on the Authority's website and notification sent to the proposers. No protests were received during the statutory protest period. Based on the total scoring, KPMG LLP was the highest scoring proposer.

Bidder	Technical Score	Interview Score	Cost Score	Total Score
KPMG, LLP	448.5	182	265.1	895.6
Ernst & Young Infrastructure Advisors, LLC	439.0	174	258.0	871.0
Crowe Horwath, LLP	447.5	144	277.0	868.5

Background on KPMG LLP

KPMG's Infrastructure Advisory global practice is recognized as a leading infrastructure advisor worldwide. KPMG International's Member Firms have more than 3,000 dedicated professionals providing infrastructure development, strategic, and financial advisory services in 110 countries and have provided support to a number of high-speed systems around the world. KPMG provides high-quality, objective advice on a broad range of projects including bridges, highways,

high-speed rail, transit and commuter rail, multi modal systems, airports, ports, social infrastructure, and utilities. Among its projects, KPMG in the UK is the financial advisor for the HS2 system which is similar in size and scope to our project.

KPMG has served as the Financial Consultant to the California High-Speed Rail Authority for the past three years. They have proposed a team with experience with the Authority and with direct experience in international, US and California transportation project financing including high-speed and other rail projects. KPMG also serves Caltrans, Los Angeles MTA, the City of Anaheim, Riverside County Transportation Authority and other transportation agencies in California. KPMG has a significant presence in California employing over 2,800 professionals in offices in Sacramento, San Francisco, Santa Clara, Woodland Hills, Cypress, Los Angeles, Orange County, and San Diego.

Small Business Requirement

KPMG has committed to meeting the Authority's 30% Small Business Goal, including the 3% DVBE requirement and included the following qualifying firms in their team: SL Hare Capital, Inc. (DVBE); Barbara A. Lloyd, Municipal Advisory Services (DBE, SB, Microbusiness); Real Estate Strategies and Solutions (SB, Micro, DVBE); Real Estate Consulting Solutions, Inc. (SB, Micro); and Sperry Capital Inc. (SB, Micro). The team also includes Peyser Associates LLC as an additional subcontractor. Under their previous contract with the Authority, KPMG met all small business goals they were required to meet.

Recommendations

It is the recommendation of Authority staff that the Board approve the contract with highest scoring proposer, KPMG LLP, in an amount not-to-exceed \$9,000,000 for a term of 3 years with a two-year option to renew.

Attachments

– Resolution #HSRA 14-22